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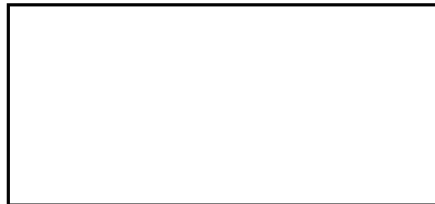
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NATIONAL INTELLIGENCE DAILY CABLE

Friday 6 January 1978 CG NIDC 78/004C



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National Intelligence Daily Cable for Friday, 6 January 1978.

The NID Cable is for the purpose of informing senior US officials.

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USSR

ISRAEL: Approval of New Settlements

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[] In an apparent effort to placate disgruntled supporters, the Israeli Government reportedly has quietly approved the creation of several new settlements and the enlargement of some others in the Rafah area in northeastern Sinai. Ground-breaking may already have begun in some areas in the Sinai. Three West Bank sites approved in October will also be settled within the next 10 days by members of the militant Gush Emunim religious group.

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[] The decision to establish additional settlements in the Sinai reportedly split the cabinet. Moderates from the Democratic Movement for Change and from the Liberal party within the Likud bloc oppose the move for fear it will harm negotiations with Egypt. Other Likud and National Religious Party ministers support the decision, apparently in order to appease strong pro-settlement forces within their respective parties. Prime Minister Begin's Herut party has four settlements in the Rafah area.

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[] The Prime Minister clearly would also like to overcome the rift with his former supporters in the Gush Emunim and the Whole Land of Israel Movement, who have become his most outspoken critics since he unveiled his peace proposals. He has already made efforts to mollify them by letting it be known that under his proposals the settlements in the Sinai would be under UN, not Egyptian, administration, and that the settlers would be allowed to maintain some sort of "local" defense force.

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[] The unsuccessful efforts of Foreign Minister Dayan and Agriculture Minister Sharon, who have close ties to the settlers, to calm a rally of angry Sinai settlers on Sunday may have convinced Begin of the need to take more concrete steps to dampen opposition from that quarter.

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[] The decision is certain to anger the Egyptians and give weight to the arguments of hard-line Arabs who have all along rejected the notion of Israeli flexibility. President Sadat has consistently argued that all Israeli settlements in the Sinai must eventually come under Egyptian sovereignty.

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[] Begin may believe he can defend his decision as necessary to stem the growth of domestic opposition to his peace efforts. Although he has gained broad support within the

governing coalition for his peace proposals, many members of Likud and the more hawkish members in the National Religious Party have expressed serious reservations or open opposition to giving back all the Sinai and granting self-rule to the Arabs on the West Bank and in the Gaza Strip.

25X1 [] The Knesset vote last week is now being interpreted as more of a vote of confidence in Begin than in his peace proposals. Many in Likud in fact are opposed to Israel making any more concessions.

25X1 [] Despite considerable uneasiness among his followers and sniping from the extreme right, Begin retains strong popular backing for his peace efforts, and the latest poll shows that the Israeli public remains overwhelmingly convinced President Sadat wants peace. Thus, we believe Begin still has room for maneuver and could--if he wants to--be somewhat more flexible in seeking a compromise solution to the Palestinian problem.

25X1 [] Further concessions on the West Bank would certainly provoke a storm in Likud and the National Religious Party and would result in some additional defections from the ranks of Begin's supporters. The Prime Minister could probably prevent wholesale defections, however, and pick up support from moderates within the opposition who believe he should make more concessions.

25X1 [] Many doves in the opposition Labor Party, for example, would support a link between the West Bank and Jordan, which even Dayan and some other cabinet ministers probably favor. Begin has refused thus far to consider this because it would amount to relinquishing Israel's claim to sovereignty over the West Bank and would completely alienate some of his old political allies and fellow ideologues.

25X1 [] At least one group of professors at Tel Aviv University believes Begin's popular support is so strong at present that he could even accept the principle of self-determination. This is doubtful, given the almost unanimous opposition among Israeli political parties to the establishment of an independent Palestinian state. In fact, the Labor Party's chief criticism of Begin's present self-rule proposal is that it would eventually lead to such a state. []

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TURKEY: Ecevit Presents Cabinet

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[redacted] Bulent Ecevit came a step closer to becoming Turkey's Prime Minister yesterday when President Koruturk approved his proposed government. Ecevit has enlarged the cabinet from 27 to 35 in order to give posts to 13 of his party's parliamentary allies. A vote of confidence for his government could come by the end of next week, and he is likely to win it.

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[redacted] Ecevit and his prospective coalition partners--the Republican Reliance Party, the Democratic Party, and 11 independents--issued a vaguely worded joint statement on Wednesday outlining their commitment to a peaceful solution of Turkey's international problems and emphasizing the need for domestic tranquility and economic security.

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[redacted] In presenting his cabinet list, Ecevit created two new ministries and named seven ministers of state. The most important portfolios were reserved for members of Ecevit's Republican People's Party, many of whom were included in his short-lived government after the national election last June.

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[] By giving 13 positions to his political partners, Ecevit clearly hopes to ensure the stability of his slim parliamentary majority. He also named Deniz Baykal, a leading dissident in his own party, to the cabinet, probably in order to minimize intra-party strife.

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[] Ecevit can probably count on 227 votes in the National Assembly, which has 450 members. There might be grumbling in his party about the large proportion of ministries given to people outside the party, and also among a few independents who did not receive posts. Potential dissidents within the coalition nonetheless will probably wait until after the government is in office before putting pressure on Ecevit.

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[] In comments to the press, Ecevit emphasized the need for a Cyprus settlement and for negotiations with Greece on Aegean affairs. While not excluding a US role in these matters, he suggested that Turkey's international problems could probably be solved through bilateral talks alone. Ex-Prime Minister Demirel and his former coalition allies already have harshly criticized the new government, attacking it for having "bought" the votes of independents. []

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BRAZIL: Successor Named

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[] Brazilian President Geisel yesterday informed leaders of the pro-government political party that he wants intelligence chief General Figueiredo to succeed him as president in March 1979. Although Figueiredo has been widely rumored to be Geisel's choice, this is the first time the President has publicly stated his preference.

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[] Press reports indicate that the announcement has already caused some dissension in military circles. This is due in part to the fact that Figueiredo is not a member of the high command and to uncertainty about his views on policy issues.

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[] Although most political observers believe Geisel has sufficient control over the military-backed government to name his successor, there is opposition to the way he is handling the succession issue. One general resigned from the cabinet earlier this week in protest over the issue. []

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ITALY: Strike Postponed

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[REDACTED] *Italy's major labor unions yesterday decided to postpone until the end of next week a decision on whether to hold a general strike to protest the Andreotti government's austerity policies.*

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[REDACTED] The postponement probably reflects divisions in organized labor over the political aims of a general strike. The Communist-dominated union has been pushing hardest for the strike in an effort to reinforce Communist demands for a governing role. The Christian Democratic union, while determined to change government economic policies, has sought to delay any challenges to Prime Minister Andreotti in order to give the Christian Democrats more time to sort out their options.

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[REDACTED] The postponement may also indicate reluctance, particularly on the part of non-Communist labor leaders, to make the first decisive move in the tense and uncertain atmosphere that has prevailed since Communist chief Berlinguer's call last month for membership in an emergency government. Politicians have been engaging in rhetorical duels but so far have refrained from formal moves against Andreotti; as usual, no one wants to be saddled with direct responsibility for bringing down the government.

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USSR: New Transport Aircraft

25X1 [redacted] completed a prototype of the AN-72, the Soviets' first short-takeoff-and-landing transport aircraft. If testing of the AN-72 proceeds satisfactorily, the aircraft--a follow-on to the AN-26 short-range transport--probably will enter service in the early 1980s and subsequently be exported widely.

25X1 [redacted] working on STOL transport designs since the early 1970s, but the AN-72 bears a marked resemblance US YC-14, an experimental STOL transport built by Boeing. Like the YC-14, the AN-72 is a high-wing, high T-tail design with two jet engines mounted above the wings. The placement of the engines is largely responsible for the short-takeoff capability; engine exhaust is vented down over the wings to create extra lift.

25X1 [redacted] A recent *Pravda* article announcing the debut of the AN-72 stated that the aircraft could sustain speeds of 600 to 700 kilometers per hour carrying a full five tons of cargo. The article asserted that the AN-72 is needed to operate in unimproved areas where "new cities are being built" or where there are no established air routes. The aircraft, however, would also be suited for airborne and air mobile operations.

25X1 [redacted] *Pravda* reported that the AN-72 will replace the AN-26 Curl, a short-range transport that entered service in 1969. The AN-26 is widely used by the Soviets for military and civilian purposes and has been exported to about 25 countries. It normally takes the Soviets from three to five years to complete testing of a new aircraft. Assuming they encounter no severe problems with the AN-72, it probably will enter service in the early 1980s. [redacted]

CANADA: Uranium Policy

25X1 [redacted] //The Canadian Government and the EC Council of Ministers signed an interim nuclear safeguards agreement last month under which Canada will resume shipments of uranium to the EC countries. Later this month, Canadian Foreign Minister Jamieson will go to Japan, where he expects to sign a safeguards pact that will allow Canada to renew uranium shipments to that country.//

25X1 [] //The Canadians banned uranium shipments to the EC and Japan a year ago after both had declined to accept Canada's demand for veto power over the use, reprocessing, and re-sale of uranium shipped from Canada. In the compromise reached with the EC, the Canadians settled for "prior consultations" rather than "approval" before reprocessing.//

25X1 [] //Ottawa will not allow any of its fuel to be used in French reactors until the French Government accepts the safeguards set by the International Atomic Energy Agency in addition to those established by Euratom, of which France is a member. Even then, France will be permitted to use Canadian fuel only in its civilian power program. No Canadian nuclear technology is to be transferred from one country to another unless the receiving country has a bilateral accord with Canada.//

25X1 [] //The agreement with the EC is to last until the completion of the International Nuclear Fuel Cycle Evaluation. This evaluation is expected to last about two years, after which a permanent agreement that takes the findings into account will be negotiated.//

25X1 [] //The major stumbling block to concluding a new agreement with Japan has been its refusal to accept so-called "double labeling," which would require application of both US and Canadian safeguards to Canadian uranium used by the Japanese. Most of the Canadian uranium for Japanese reactors must be enriched in the US, after which the US imposes its own restrictions. The Japanese insist on having only one set of restrictions.//

25X1 [] //By late last month the Canadians, caught between their desire to stem nuclear proliferation and their growing fear that Japan will turn to other sources of supply, were coming closer to agreeing that the US could be responsible for controlling the use of Canadian fuel following enrichment. The US, however, would consult with Canada before granting approval. The Canadians hope that their team of negotiators, which will be in Tokyo before Jamieson arrives, will have an agreement ready for his signature. []

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BRIEF

USSR

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[] Soviet President Brezhnev, evidently recovered from the illness that sidelined him more than three weeks ago, presented awards to several of his Politburo colleagues in the Kremlin yesterday.

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[] Brezhnev had last appeared at a party Central Committee meeting on 13 December. He failed to attend the three-day Supreme Soviet session that followed, and Soviet officials asserted that he had come down with flu. The most prominent recipient of an award was party theoretician Mikhail Suslov, honored for his 75th birthday. []

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